

Governor John Engler
Remarks to the Economic Club of Detroit
Monday, February 2, 1998

"Detroit Michigan 2001: Great City, Great State, Great Future"

Thank you very much, Bill (McCormick). I appreciate your kind words. And certainly, for those of us who remember, it was quite different from the introduction I received at this podium eight years ago.

Since 1990, however, both Detroit and Michigan have changed dramatically.

In fact, I think it is safe to say that a transformation is under way that few would have thought possible just a few years ago.

For example, in February 1991, unemployment in the city of Detroit was 18.5 percent.

Today, the official unemployment rate for the city of Detroit is 6.3 percent, and the number of city residents with jobs has climbed by more than 35,000.

Statewide, unemployment was more than 9 percent and jobs and families were leaving Michigan by the thousand.

Today, Michigan's unemployment rate is the lowest since 1969 -- 4.1 percent -- and the number of men and women with jobs has climbed by more than 500,000.

In the metro area, the news is even better -- unemployment is 3.1 percent -- WOW!

The numbers are clear -- even accounting for those who might have dropped out of the labor force, conditions are better than they have been in a long, long time.

This city is turning around -- there's no doubt about that -- but I believe the pace of change can be faster, much faster.

Last October, a Detroit Free Press headline asked a key question: IS THIS A WORLD-CLASS CITY?

Looking into the future, I believe the answer can be yes -- absolutely, yes.

All the indicators are pointing in the right direction. Detroit can be a world-class city -- a city where people want to live, work, shop and be entertained.

Our world-class challenge is to work together in an all-out effort to make Detroit's business climate just as hot as Michigan's business climate.

To those who believe that casinos and stadiums are the answer, I say, more must be done -- much more to make Detroit a world-class city.

Listen to this recommendation to improve Detroit's business climate:

"Lower taxation is the keynote to the present situation. Let us be able to offer to industrial enterprises the lowest rate of taxation consistent with good government, with favorable contrast with other cities."

Here's another piece of advice on the same subject:

"The city needs to move decisively to make taxes less of an impediment for businesses ready to invest or home owners anxious to build or improve their homes."

Despite my reputation as a tax cutter, I didn't write either of those two statements.

The first is from Detroit Mayor William Maybury's first annual message to the common council on January 11, 1898 -- exactly one hundred years ago.

The second is from the editorial page of the Detroit Free Press on December 21, 1997 -- only about six weeks ago.

My friends, that recommendation to cut taxes was absolutely right one hundred years ago and it is absolutely right today!

I should note that Mayor Maybury did cut taxes. In fact, records for the next year reveal a tax cut of almost 10 percent -- and additional tax cuts followed.

To those who agree that tax cuts create jobs and economic growth, I have good news. Last week, I announced in my State of the State message a dramatic new tax cut. Actually it was five new tax cuts.

I propose cutting Michigan's income tax rate each year for five years -- cutting the rate from 4.4 percent to 3.9 percent. Over the same period, the personal exemption will climb by more than 20 percent to \$3,400.

Over five years, the savings for the average Big Three auto worker are huge -- more than \$1,100.

What does this mean for Detroit -- a total city and state income tax rate below 7 percent -- the lowest in a generation!

Getting the rate below 7 percent is a good start, and I commend Mayor Archer for his recent statements in support of cutting city taxes. The bottom line is that tax rates that are three and four times suburban tax rates simply handicap this city.

And to those who doubt that tax rates matter, look at this headline in the Ann Arbor News: "STATE OF EXPANSION, Property tax cut prompts Indiana residents to run for the Michigan border."

In 1994, when Proposal A slashed property tax rates, a building boom was launched -- a boom that is still getting bigger and better. One township assessor said that before Prop A, he used to see maybe half a dozen \$100,000 home sales in a year.

Now, he see three or four a week!

Right here in Detroit, Prop A has spurred the development of the first single family homes to be built here in a decade. And throughout southeast Michigan, a four-year building boom shows no sign of stopping. I'm talking about a record-breaking 17,000 new homes built each year -- the hottest real estate market in America.

Ladies and gentleman, cutting taxes does make a difference!

There are other steps we are taking to rev up economic growth.

For example, 1997 was the first year Renaissance Zones were in operation in 11 communities statewide. These are both urban and rural areas that are free from most all state and local taxes for up to 15 years.

The beauty of Renaissance Zones is that there is no application, no red tape, no bureaucracy, no permits, no hassle -- just move in and save money.

Renaissance Zones are targeted to neighborhoods and townships that are in the most desperate need of new jobs and investment. In just one year, more than \$320 million is being invested in 54 projects that are expected to create some 4,000 jobs statewide. All this, in just one year.

One awesome example of the power of the Renaissance Zones concept is the conversion of the Warren Tank Plant into a state-of-the-art manufacturing facility for Detroit Center Tool -- a reuse project that in phase one will create 1,700 high-paying jobs.

What's amazing is the fact that this conversion is being completed at a record pace -- in one year rather than the average six years it takes to convert a military facility to private sector industrial use. Warren officials even received a medal from the Pentagon for their good work.

So far statewide, of the 54 projects, the Grand Rapids' zone has 25, Saginaw has 7. The zone in rural Montcalm and Gratiot counties has 6. Detroit has 3.

In 1998, the Michigan Jobs Commission and my office, ably led by the incomparable Susy Heintz, will redouble our efforts to work with Mayor Archer and the City Council. Our first effort is land assembly, and I intend to do whatever it takes to help transform Detroit into a renaissance city.

Another challenge -- a big challenge -- is training enough workers to fill the jobs we already have and the jobs that will be created over the next decade -- not just here in Detroit, but in the metro area and statewide.

For example, industry experts predict that at least \$16 billion will be spent over the next three years on Detroit-area construction projects. This isn't just stadiums, casinos and airports. This is new schools, new factories and new homes -- and state investment of \$169.2 million in Wayne State and Oakland universities.

What that number doesn't include is the quarter of a billion dollars the state will spend on road repair this year alone.

This good news brings a challenge -- a projected shortage of 6,000 carpenters, electricians, masons and other skilled workers. Add to that shortage the squeeze industry is already facing in finding enough engineering technicians, computer programmers and other high-tech workers.

We have already taken bold steps to meet this challenge:

- the Michigan Virtual Automotive College;
- ten trade academies;
- a \$2,000 Youth Apprenticeship Tax Credit.
- and 100 One Stop Workforce Development Centers.

Also, to help local communities get the most out of the one-stop shopping approach, I am pleased to confirm that today, Michigan is taking the final implementation step to consolidate federal and state worker training programs at the local level. We are transferring the employment service to local Workforce Development Boards. We will not let bureaucrats in Washington stop us from providing the most effective services to unemployed workers.

It is because of all these efforts to create the nation's best worker training system that Michigan was named by the National Alliance of Business as its 1997 State of the Year.

To build on our impressive record, Michigan is ready to take even bolder steps in meeting the need for skilled workers. And today, I am announcing a \$50 million two-step plan to meet this challenge head on.

First, to address immediate needs, Michigan will provide community college scholarships for up to 10,000 students who enroll in high-demand technical training associate degree or certificate programs.

These scholarships would be for up to \$2000 per student for each certificate or training program. This would effectively reduce by half the cost of community college in high demand occupations, such as construction trades, engineering technicians, computer programmers and health care technicians.

Ladies and Gentlemen, these scholarships will help 10,000 students fill 10,000 jobs!

Second, to address more long term needs, Michigan will devote \$30 million to establish at least 5 new Technical Training Centers for adults at community colleges. These centers could be new buildings or retooled existing facilities.

This initiative complements the scholarship program by providing the infrastructure and equipment where needed to permanently expand these programs.

Both of these landmark initiatives require partnerships between industry and education. There must be a direct correlation between training and jobs

The bottom line is this: We have worked too hard to restart Michigan's economic engine. We cannot let it stall because we can't fill the jobs. Keeping it turbocharged means training our workers. My friends, Michigan is meeting the challenge!

Let me conclude my remarks with some comments on my Clean Michigan Initiative, which I announced last week in my State of the State message.

I believe that economic development and environmental stewardship go hand in hand. I believe strongly that a balanced approach can allow for job creation today and the conservation of our precious natural resources for tomorrow.

Our Clean Michigan Initiative is a \$500 million plan with four critical objectives.

- first, to clean up toxic sites that threaten public health and stifle development,
- second, to make critically-needed improvements at our state parks,
- third, to protect and enhance the quality of our drinking water and clean up our lakes, rivers and streams,
- and fourth, to revitalize local waterfronts,

Let's talk about each of those objectives.

First, I propose spending \$325 million to clean up toxic sites and to restore contaminated property to productive use.

Remember it was with leadership from Mayor Archer and other mayors statewide that Michigan reformed its environmental cleanup laws in 1995 and '96.

These commonsense reforms have produced private investment in brownfield reclamation of more than \$310 million and the creation of nearly 3,400 jobs.

Even more importantly, the reforms have cut the cost of an average cleanup by 75 percent. That means the \$325 million we intend to devote to this project has the same effect more than \$1 billion in spending would have had just a few years ago.

Second, I propose investing \$50 million to spruce up and revitalize Michigan's state parks.

Michigan is a tourism and recreation leader -- not just for the nation, but increasingly, for the world. Our 96 state parks are the jewels in our crown, a tremendous asset.

From showers to hookups to bathrooms, we urgently need to improve facilities and this \$50 million investment will meet the needs of park users today and in the 21st century.

Third, I propose spending \$50 million to improve water quality statewide.

Recently, I served as chairman of the National Geographic Society's Forum on Nonpoint Source Pollution. That's a fancy, technical way of saying that I headed a national effort to study ways to reduce pollution that runs off construction sites, farm fields and parking lots. It's even fertilizer and pesticide runoff from lawns, parks and golf courses.

As you might imagine, solving this problem is a massive undertaking that goes beyond city, county, regional or even state boundaries.

Once again, Michigan is a national leader with an innovative watershed approach, bringing together city and township officials, drain commissioners, road commissioners, watershed councils, conservation groups, state departments and others in a comprehensive plan to protect and improve Michigan water.

For example, this kind of effort in the Clinton River watershed will have a very positive effect on Lake St. Clair. And I am proud to report that no other state is considering a commitment anywhere near what I am proposing.

Michigan will also spend \$25 million for sediment cleanup in contaminated hotspots in targeted rivers and lakes statewide. This includes the Detroit River, Rouge River, Clinton River and River Raisin in southeast Michigan.

I'm talking about 3,000,000 cubic yards of sediment contaminated with PCBs, mercury, arsenic and DDT that were discharged long before pollution controls were in place. Michigan has made substantial progress in reducing these threats both to public health and to aquatic life, but these sites are specific areas of concern where more must be done.

In 1701, when the French colonist and explorer Cadillac founded Detroit, he approached by canoe on the Detroit River. I understand that Attorney General Frank Kelley was there to wave him ashore.

Seriously, when Detroit celebrated its bicentennial in 1901, it was said that if Cadillac were to return, the only thing he would recognize would be the river itself.

I believe that as Detroit approaches its tricentennial in 2001, we should set forth a goal of restoring and renewing the river and its shoreline -- to make it a showplace for the 21st century where visitors and residents can enjoy the pleasures of a vibrant waterfront.

The state's Natural Resources Trust Fund has already set aside \$4.5 million for the city to purchase riverfront property. And from Cobo to Belle Isle, unprecedented new investment has been targeted for parks, entertainment, offices and residential development.

That achievement leads me to fourth and final point. To make Michigan waterfronts accessible and enjoyable for more citizens, I propose creating a \$50 million Waterfront Reclamation and Revitalization Fund.

For Detroit, what could this mean? No more cement plants downtown on the riverfront!

To achieve all that I have outlined in my Clean Michigan Initiative, we will have to pass a ballot proposal. I ask all of you to help and make it law.

A moment ago, I mentioned the fact that Detroit is approaching its 300th birthday in 2001.

Fifty years ago, in 1951, Governor Soapy Williams, future Governor George Romney and Mayor Albert Cobo and other community and state leaders joined together to launch Detroit's 250th anniversary. They planned an entire year of events, parades and festivities.

In the official program, a Detroit News editor wrote:

"The future which can hold so much for Detroit as a place in which to live as well as one in which to make a living is ours, not for the asking, but for a steady devotion of . . . our time and thinking to our common concerns."

So from today until July 24, 2001 -- Detroit's 300th birthday -- join me in supporting Mayor Archer and pledge to devote our time, our thoughts and our hearts to solving our common concerns. Together, we will show the world that Detroit truly can be a world-class city!

Thank you very much.